

AUDIT REPORT

RURAL WATER, SEWER, AND SOLID WASTE
MANAGEMENT DISTRICT NO.2,
MCINTOSH COUNTY, OKLAHOMA

DECEMBER 31, 2022



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RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
DECEMBER 31, 2022

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RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
DECEMBER 31, 2022

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
Jeff McPeak	Chairman	2023
Greg Hefner	Vice-Chairman	2025
Kenneth Pemberton	Secretary/Treasurer	2023
Mike Williams	Member	2024
Clint Walker	Member	2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water, Sewer, and Solid Waste Management District No. 2,
McIntosh County, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, I

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and the other supplementary information sections listed in the accompanying table of contents but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 11, 2023, on my consideration of the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's internal control

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over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

April 11, 2023

**RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	2022
<u>ASSETS</u>	
<u>CURRENT ASSETS:</u>	
Cash and Cash Equivalents	\$ 504,755
Accounts Receivable	54,139
Inventory	25,754
Prepaid Insurance	14,635
TOTAL CURRENT ASSETS	599,282
<u>NONCURRENT ASSETS:</u>	
<u>RESTRICTED ASSETS:</u>	
Restricted Certificates of Deposit	65,129
Restricted BOK Trust Accounts	222,178
TOTAL RESTRICTED ASSETS	287,307
<u>CAPITAL ASSETS:</u>	
Land	25,483
Construction in Progress	12,500
Other Capital Assets	4,973,691
Less: Accumulated Depreciation	(2,731,496)
NET CAPITAL ASSETS	2,280,178
TOTAL NON-CURRENT ASSETS	2,567,485
TOTAL ASSETS	3,166,767
<u>LIABILITIES & NET POSITION</u>	
<u>CURRENT LIABILITIES:</u>	
Accounts Payable	2,069
Payroll Taxes Payable	5,738
Accrued Interest	25,996
Current maturity of long-term debt	100,887
Total Current Liabilities	134,690
LONG-TERM LIABILITIES	2,019,389
TOTAL LIABILITIES	2,154,079
<u>NET POSITION:</u>	
Net investment in capital assets	159,902
Restricted for debt service	287,307
Unrestricted	565,479
TOTAL NET POSITION	\$ 1,012,688

The accompanying notes are an integral part of the basic financial statements

**RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022**

	2022
<u>OPERATING REVENUES:</u>	
Water Sales	\$ 772,260
New installations	6,000
Other income	3,374
TOTAL OPERATING REVENUES	781,634
<u>OPERATING EXPENSES:</u>	
NFMHO	8,733
Water storage fees	1,947
Professional fees & Dues	36,252
Office Expense	11,381
Payroll & related expenses	257,940
Operations: Repairs & Supplies	125,862
Insurance	29,960
Utilities	28,821
Telephone	6,302
Vehicles	13,569
Miscellaneous expense	1,275
Amortization	-
Depreciation	149,750
Total Operating Expenses	671,791
NET OPERATING INCOME (LOSS)	109,844
<u>OTHER REVENUES (EXPENSES):</u>	
Interest Income	4,425
Interest Expense	(79,348)
Insurance Proceeds	-
Total Other Revenues (Expenses)	(74,923)
Net Income (Loss) Before Contributions	34,920
Capital Contributions	-
CHANGE IN NET POSITION	34,920
TOTAL NET POSITION, Beginning of Year	977,768
TOTAL NET POSITION, End of Year	\$ 1,012,688

The accompanying notes are an integral part of the basic financial statements

**RURAL WATER, SEWER AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

	2022
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 781,495
Payments to Suppliers for Goods & Services	(263,727)
Payments to Employees & Laborers	(257,940)
Net Cash Provided (Used) by Operating Activities	259,829
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(57,913)
Capital Contributions - Loan Forgiveness	-
Proceeds from long-term debt	-
Principal paid on long-term debt	(95,634)
Interest paid on Debt	(92,872)
Net Cash Provided (Used) by Capital & Related Financing Activities	(246,419)
<u>Cash Flows from Investing Activities:</u>	
Net activity with restricted accounts	(2,586)
Interest Income	4,425
Net Cash Provided (Used) by Investing Activities	1,839
Net Increase (Decrease) in Cash and Cash Equivalents	15,249
Cash & Cash Equivalents, Beginning of Year	489,506
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 504,755
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ 109,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation & Amortization	149,750
(Increase)Decrease in Accounts Receivable	(139)
(Increase)Decrease in Inventory	-
(Increase)Decrease in Prepaid Insurance	(160)
Increase(Decrease) in Accounts Payable	526
Increase(Decrease) in Payroll Taxes Payable	8
Net Cash Provided (Used) by Operating Activities	\$ 259,829

The accompanying notes are an integral part of the basic financial statements

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

NATURE OF BUSINESS

Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County, Oklahoma (The District) was organized to sell water and operate and maintain a sewage disposal system to its members. This organization is exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code

Basis of Presentation

The Enterprise Fund is used to account for the operations of the District that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services be recovered in whole or part through user fees or charges.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred.

Assets, Liabilities, & Equity

Cash & Cash Equivalents

For purposes of these financial statements, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, excluding restricted cash.

Capital Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Water tower	25
Office building, equipment and fixtures	5-20
Transportation equipment	5-10
Heavy equipment	10
Water treatment facility	7-40
Lines and storage	10-20

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

It is the District's policy to capitalize asset purchases greater than \$500 and expense asset purchases less than \$500.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method.

Allowance for Doubtful Accounts

The District considers all accounts fully collectible.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District's overall financial position and results of operations. However, the District has chosen not to present the required MD&A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the District's activities, except for including the General capital assets or infrastructure (lines, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

Income Taxes

The District is exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Compensated Absences

Employees of the District began accruing vacation and sick leave in 2005. However, no provision has been made for such because the amount is not considered material to the financial statements.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At December 31, 2022, the District held deposits of approximately \$792,062 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
 MCINTOSH COUNTY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

The District has the following credit risk: 100% in Certificates of Deposit (\$65,129).

NOTE 3 - RESTRICTED ASSETS

The loan agreements with the Oklahoma Water Resources Board for the District's loan refinancing and project requires that certain monies be put in a trust type account. These funds are restricted to servicing the loan with the OWRB. Monthly payments are made to a debt service account and then invested upon receipt by the loan trustee, BOK Trust Services. Semi-annual payments are then made by the trustee from this account to OWRB. When funds are received by the Trustee they are immediately invested in securities guaranteed by the United States Government. The District also is required to maintain a debt service reserve fund with the trustee bank in the amount of \$172,675.00.

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended December 31, 2022, was as follows:

	12/31/21 Balance	Additions	Deductions	12/31/22 Balance
Capital assets not being depreciated:				
Land	\$ 25,483	\$ -	\$ -	\$ 25,483
Construction in Progress	-	12,500	-	12,500
Total capital assets not being depreciated	25,483	12,500	-	37,983
Other capital assets:				
Water Tower	309,652	-	-	309,652
Office building, equipment and fixtures	149,270	2,072	-	151,342
Transportation equipment	58,440	-	-	58,440
Heavy equipment	49,349	-	-	49,349
Water treatment facility	3,934,165	43,341	-	3,977,506
Lines and storage	423,001	-	-	423,001
Storage Building	4,400	-	-	4,400
Total other capital assets at historical cost	4,928,277	45,413	-	4,973,691
Less accumulated depreciation for:				
Water Tower	(206,305)	(7,721)	-	(214,026)
Office building, equipment and fixtures	(108,264)	(4,099)	-	(112,362)
Transportation equipment	(54,440)	(1,600)	-	(56,040)
Heavy equipment	(47,135)	(2,214)	-	(49,349)
Water treatment facility	(1,802,421)	(112,746)	-	(1,915,168)
Lines and storage	(359,551)	(21,150)	-	(380,701)
Storage Building	(3,630)	(220)	-	(3,850)
Total accumulated depreciation	(2,581,745)	(149,750)	-	(2,731,496)
Other capital assets, net	2,346,532	(104,337)	-	2,242,195
Total Capital Assets, net	\$ 2,372,015	\$ (91,837)	\$ -	\$ 2,280,178

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
 MCINTOSH COUNTY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 5 - LONG-TERM DEBT

In December 2014, the District entered into a Promissory Note, Series 2014, FAP-14-0005-L with the Oklahoma Water Resources Board (OWRB). The security for the Note includes a pledge and assignment of revenues derived by the District from its operation of the water system of the District pursuant to the terms of the Loan Agreement. The Note is further secured by a Mortgage dated December 4, 2014 by the District to the OWRB. The loan is for a principal amount of \$2,265,000.00, plus premium of \$281,109, less original issue discount of \$7,783.75, less OWRB transactions costs. The discount and the premium are both being amortized over the term of the loan. The loan is for a term of 22 years maturing on October 1, 2036 with varying interest rates between 2.400% and 5.400% until maturity.

In June 2020, the District entered into a Promissory Note, Series 2020 DWSRF, ORF-20-0004-DW with the Oklahoma Water Resources Board (OWRB). The proceeds of this Note will be used to construct improvements to the District's drinking water system benefiting those persons served by the District. The security for the Note includes a pledge and assignment of revenues derived by the District from its operation of the water system of the District pursuant to the terms of the Loan Agreement. The Note is further secured by a Mortgage dated June 30, 2020 by the District to the OWRB. The loan is for a principal amount of \$490,000.00 but will include a Loan Forgiveness of \$200,000.00. The outstanding principal balance of this Note, together with all accrued, but unpaid, interest and administrative fees shall be due and payable in full on the earlier of the March 15 or September 15 next preceding the date which is sixteen (16) years after completion of the Project as certified to the OWRB by the District or September 15, 2036. The Note shall bear interest at a rate of 1.09% per annum plus an administrative fee at the rate of 0.5% per annum on the outstanding balance of disbursed loan proceeds.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

	Balance at December 31, 2021	Additions	Deductions	Balance at December 31, 2022
OWRB FAP-14-0005-L	\$ 1,780,000	\$ -	\$ (80,000)	\$ 1,700,000
OWRB ORF-20-0004-DW	263,011	-	(15,634)	247,377
Total Long-Term Debt	<u>2,043,011</u>	<u>-</u>	<u>(95,634)</u>	<u>1,947,377</u>
Less: Current Portion	(95,634)			(100,887)
Less: Discount on OWRB	(5,278)	-	354	(4,924)
Plus: Premium on OWRB	190,600	-	(12,778)	177,823
Net Long-Term Debt	<u>\$ 2,132,700</u>	<u>\$ -</u>	<u>\$ (108,058)</u>	<u>\$ 2,019,389</u>

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
 MCINTOSH COUNTY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2022, are as follows:

Year Ending December 31,	Note Payable - OWRB FAP-14-0005-L		
	Principal	Interest	Total
2023	\$ 85,000	\$ 85,175	\$ 170,175
2024	90,000	81,435	171,435
2025	95,000	77,475	172,475
2026	100,000	72,345	172,345
2027	105,000	66,945	171,945
2028-2032	610,000	244,005	854,005
2033-2036	615,000	68,220	683,220
Total	<u>\$ 1,700,000</u>	<u>\$ 695,600</u>	<u>\$ 2,395,600</u>

Year Ending December 31,	Note Payable - OWRB ORF-20-0004-DW			
	Principal	Interest	Admin	Total
2023	\$ 15,887	\$ 2,690	\$ 1,234	\$ 19,811
2024	16,134	2,520	1,156	19,811
2025	16,405	2,334	1,071	19,811
2026	16,671	2,152	987	19,811
2027	16,941	1,967	903	19,811
2028-2032	88,894	6,964	3,195	99,053
2033-2036	76,445	1,917	880	79,242
Total	<u>\$ 247,377</u>	<u>\$ 20,546</u>	<u>\$ 9,425</u>	<u>\$ 277,347</u>

NOTE 6 - RETIREMENT PLAN

The District does not provide a retirement plan for employees.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Grant Program Involvement

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning

RURAL WATER, SEWER, AND SOLID WASTE MANAGEMENT DISTRICT NO. 2
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - INSURANCE COVERAGE

Property Coverage

Insurer	ORWA Assurance Group
Expiration	June 1, 2023
Policy includes	Auto liability, property, general liability, errors & omissions, employment practice, dishonesty bond and monies & securities.

Workers Compensation

Insurer	ORWA Assurance Group
Expiration	October 31, 2023

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The District sells only to its members in the Onapa, Oklahoma area.

NOTE 10 - SUBSEQUENT EVENTS

The District did not have any subsequent events through April 11, 2023, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2022.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Rural Water, Sewer, and Solid Waste Management District No. 2,
McIntosh County, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the financial statements of the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued my report thereon dated April 11, 2023. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's internal control. Accordingly, I do not express an opinion on the effectiveness of Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a

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deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rural Water, Sewer, and Solid Waste Management District No. 2, McIntosh County's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April Adams CPA PLLC
Ponca City, Oklahoma

April 11, 2023